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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6764
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 0649
RUEHBJ/AMEMBASSY BEIJING 1573
RUEHKA/AMEMBASSY DHAKA 4652
RUEHNE/AMEMBASSY NEW DELHI 4186
RUEHUL/AMEMBASSY SEOUL 7739
RUEHKO/AMEMBASSY TOKYO 5299
RUEHCN/AMCONSUL CHENGDU 1237
RUEHCHI/AMCONSUL CHIANG MAI 1172
RUEHCI/AMCONSUL KOLKATA 0106
RUEATRS/DEPT OF TREASURY WASHDC
RUEHGV/USMISSION GENEVA 3361
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 1083
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 001076

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E.O. 12958: DECL: 10/31/2017
TAGS: [ECON](#) [FIN](#) [PGOV](#) [PREL](#) [BM](#)
SUBJECT: BURMA SANCTIONS HITTING THE REGIME WHERE IT HURTS

REF: A. RANGOON 1048
[1](#)B. RANGOON 1050

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d)

[1](#)1. (C) Summary. The Burmese regime, concerned about the latest U.S. economic sanctions, called several key businessmen to Nai Pyi Taw, including Tay Za and Steven Law, to discuss how best to deal with the sanctions. According to business contacts, the senior generals, unhappy with Tay Za for "flaunting his money," have begun to cut off several of his business deals. Tay Za's airline, Air Bagan, is also hurting: last week the company announced that its Singapore banks severed financial ties because of U.S. sanctions. The government, which is out of money and has halted remaining FY07 infrastructure projects, has also informed the construction companies that built Nay Pyi Taw that it will pay outstanding bills in kind with import licenses and duty waivers. Several prominent businessmen expressed concern that the GOB, in an effort to raise money, will start to audit companies' financial statements and demand more in taxes. End Summary.

Regime Warning Businessmen

[1](#)2. (C) Anwar Hussain (PROTECT), a prominent businessmen and member of the Tuesday Breakfast Club (a group of businessmen who meet regularly to discuss business in Burma) informed us on October 31 that the regime has noticed the latest round of U.S. sanctions and fears that more of its crony friends will be targeted. In the past week, the senior generals have called up and met with several prominent businessmen, including Tay Za, owner of Htoo Trading and Air Bagan; Steven Law, owner of Asia World; Chit Khaing, owner of Eden Group;

and Zaw Zaw, owner of Max Myanmar, to discuss how to deal with the sanctions. The senior generals warned the cronies to "watch out" for the next round of U.S. sanctions, and hinted that they should move their money to secure locations.

They also cautioned that the businessmen should do more to hide their economic relationship with the government. Hussain, who spoke to several of the cronies after the trip, reported that the senior generals were concerned about the newest sanctions and the potential consequences for the personal bank accounts of government officials and cronies.

Shame in Flaunting Wealth

13. (C) On October 25, Htet Tay Za, Tay Za's son, allegedly sent an email mocking U.S. sanctions. "We're sitting on the whole Burmese GDP," he allegedly wrote. Most of our Burmese contacts believe the email to be a hoax, although Tay Za's son does maintain a Facebook page with pictures of him sitting in his Ferraris with semi-automatic weapons. Nevertheless, the senior generals called Tay Za to Nay Pyi Taw on October 26 to read him the riot act, demanding that he and his family stop "flaunting their wealth."

Tay Za's Companies Financially Hurting

14. (C) Tay Za and his companies were hit hardest by the sanctions, something that did not go unnoticed at the top levels, Hussain asserted. During a meeting with Air Bagan last week, top company officials pleaded for Embassy assistance in removing the company from the sanctions list to no avail (Ref A). The next day, Air Bagan released a press statement detailing the impact of sanctions: the company's Singapore bank partners cut ties, Air Bagan can no longer

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purchase spare parts, and that it will halt flights to Singapore beginning November 4. The General Manager of Qatar Airways told us that since sanctions were imposed on October 19, Air Bagan has lost an estimated \$400,000 a day, due to low ticket sales and high costs of plane leases and airport rental space. On October 22, the Singapore Aviation Authority informed Air Bagan that it would no longer provide the airline with credit, and requested that the company pay its outstanding bill for parking and landing fees. The same day, Air Bagan announced plans to sell two of its planes.

15. (C) Hussain confirmed that Tay Za's other companies - Htoo Trading, Htoo Wood Products, and Pavo Trading - have also been affected. Htoo Trading, the only company the GOB permits to export rice, just lost its contract to a competitor for the sale of 20,000 metric tons over the next three months. Htoo Wood Products, which has a contract with an Indian company, has an estimated \$1 billion in timber ready for export. The Indian company, aware that Tay Za's companies are facing financial hardships and greater scrutiny on the world market, refused to abide by its contract and offered to pay 90 percent less than the contract price. Hussain explained that Tay Za, unwilling to sell the timber at such a low price, was looking for another buyer.

GOB Strapped for Cash

16. (C) Hussain confirmed reports that the GOB lacked the funds to pay for the remaining FY07 infrastructure projects (Ref B). (Note: Burma's fiscal year is from April 1-March 31.) Several construction companies that built Nay Pyi Taw, including Asia World and Eden Group, have yet to receive payment for their work. The GOB recently told the companies that instead of paying the outstanding bills, it would pay the companies in kind, with import permits and duty waivers for new cars. Even Steven Law, a government favorite, has not received payment since April, Hussain explained. Several prominent businessmen have expressed fear that the GOB, in an

effort to raise money, will begin to scrutinize closely companies' financial records and demand more in taxes. Many companies, including Htoo Trading and Asia World, make more money than they report to the GOB. These companies have the most to lose, Hussain commented.

Comment

17. (C) The Burmese Government is clearly facing a cash crunch, shown by its inability to pay even its favorites. The latest sanctions have successfully put additional pressure on both the senior generals and their favored businessmen, making it difficult for them to do business outside of Burma. The lack of cash will have ripple effects as businessmen try to protect their remaining assets and the senior generals have nothing to buy the loyalty of their subordinates.

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